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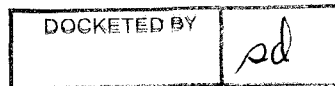
2002 MAY 11 P 12: 35

May 10, 2001

The Arizona Corporation Commission  
Attention: Docket Control  
re.: Enkido, Inc.  
T-03882A-00-0356  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission AZ CORP COMMISSION  
DOCKETED DOCUMENT CONTROL

MAY 11 2001



To Whom It May Concern:

Per Utilities Division Staff Report of January 8, 2001, page 12, 5.1 Recommendations on the Applicant's Application for a CC&N and of the hearing held May 9, 2001:

Re. 5.1.1.a Enkido respectfully requests a waiver of the requirement to provide a performance bond equal to a minimum of 120 days intrastate telecommunications revenues, plus the amount of any prepayments and deposits collected from our customers (\$100,000), based on the following:

1. The request for a performance bond was based on unaudited financial statements. Enkido has since produced audited financials which demonstrate our financial strength.
2. Staff believes that any deposits, prepayments, and advances received from customers should be protected. Enkido does not require any deposits, prepayments or advances.

Additionally, Enkido provides high-speed data communications services to corporate customers. Enkido provides no voice or dial services, nor does it provide service to residences. We, therefore, believe that we should not be required to meet those requirements which relate strictly to voice services.

Enkido, Inc., as a competitive provider, agrees to abide by all requirements of the Arizona Corporation Commission which apply to the provision of data communications to corporate entities.

With best wishes,

Ali Aliabadi  
Director of Licensing  
201-487-7979, x 210  
201-487-7968 (fax)  
[ali.aliabadi@enkido.com](mailto:ali.aliabadi@enkido.com)

AA/lm

95 Route 17 South Paramus, NJ 07652

Tel 201 487-7979 Fax 201 487-2865

[www.enkido.net](http://www.enkido.net)

**ENKIDO, INC**

**FINANCIAL STATEMENTS  
WITH  
ACCOUNTANTS REPORT**

**FOR THE YEAR ENDING DECEMBER 31, 2000**

# *Mahmoud & Associates*

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ALI H. MAHMOUD  
Certified Public Accountant

206 Main Street  
Hackettstown, NJ 07840  
Tel: (908) 813-3180  
Fax: (908) 813-2326

March 30, 2000

Board of Directors  
Enkido, Inc.  
95 RT 17 South  
Paramus, NJ 07652

Gentlemen

We have examined the balance sheet of Enkido, Inc as of December 31, 2000 and the related statements of income, retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such auditing procedures, as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Enkido, Inc. at December 31, 2000 and the results of its operation and the changes in the financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Very truly yours,



Mahmoud & Associates

**ENKIDO, INC.**  
**Balance Sheet**  
**as of December 31, 2000**

**ASSETS**

**Current Assets**

Cash	\$3,363,070
Saving Account	50,085
Accounts Receivable	290,045
Prepaid Expenses	4,857
Total Current Assets	<u>\$3,708,057</u>

**Fixed Assets**

At Cost, net of accumulated depreciation in the amount of \$96,785	836,336
Total Fixed Assets	836,336

**Other Assets**

Contracts Receivable	16,791,370
Organization Cost, net Accum. Amortize. Of 3,518	7,040
Security Deposits	175,268
Advance Employees	700
Total Other Assets	<u>16,974,378</u>

**Total Assets**

\$21,518,771

**LIABILITIES & STOCKHOLDERS EQUITY**

**Current Liabilities**

Accounts Payable	21,170
Provision, Income Tax	25,000
Advance ST Clients	1,955,600
Total Current Liabilities	<u>2,001,770</u>

**Long-Term Liabilities**

Advance LT Clients	1,780,600
Deferred Revenue	16,791,370
Loan Payable Stockholders	928,358

**Total Liabilities**

21,502,098

**Stockholders Equity**

Common Stock	10,000
Retained Earnings	6,673

**Total Liabilities & Stockholders Equity**

21,518,771



ENKIDO, INC

Statement of Income and Retained Earnings  
For Year Ending December 31, 2000

REVENUE

Contract Revenue	\$2,418,350
Cost of Service	748,894
GROSS PROFIT	<u>1,669,456</u>

Cost and Operating Expenses

Selling Expenses	185,567
General & Administration Expenses	1,002,969
Interest Expenses	4,486
	<u>1,193,022</u>

Earnings Before Depreciation and Tax	<u>476,434</u>
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Depreciation & Amortization	73,994
Income Tax	25,000

Interest Income	57,151
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Net Income	<u><u>434,591</u></u>
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RETAINED EARNINGS

Net Income	434,591
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Retained Earnings- Beginning of Period	-427,918
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Retained Earnings- End of Period	<u><u>6,673</u></u>
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**ENKIDO, INC.**

**Statement of Selling, General and Administration  
For the year ending December 31, 2000**

**Selling Expenses**

Conference Expenses	\$3,656
Marketing	77,114
Selling expenses	4,171
Travel and Entertainment	96,575
Dues & Subscription	4,051
Total Selling Expenses	<u>\$185,567</u>

**General & Administration Expenses**

Payroll	426,223
Payroll Tax	43,716
Auto Expense	33,552
Dues and Subscription	2,064
Insurance	31,025
Legal & Professional Fees	76,641
Moving Expense	10,292
Office Expense	58,209
Rent	72,000
Telephone	71,441
Utilities	6,557
Bank Charges	1,647
Repair & Maintenance	2,620
Technical Support	17,796
Communication Expenses	13,008
Recruiting Expense	43,705
Franchise Tax	2,928
License Expenses	22,732
Freight & Postage Expenses	8,872
Casual & Part Time Help	52,768
Penalties & Fines	5,173
Total Gen. & Admint. Expenses	<u>1,002,969</u>



# ENKIDO, INC

Notes to Financial Statements  
December 31, 2000

## Note 1- ORGANIZATION

Enkido, Inc (The Company) was incorporated on June 8, 1999, under the laws of the State of Delaware for the purpose of conducting any lawful activity as the Board of Directors may deem advisable. Enkido, Inc is building and offering end-to-end services for data multimedia and voice transmission over a high- capacity broadband fiber- optic network within the continent of United States.

## Note 2- ORGANIZATIONAL COST

The stockholder paid total cost of \$10,558 for organizational expenses. It has been amortized on 60 months in accordance with Revenue rulings.

Total Cost	\$10,558
Accum. Amortization	3,518
Net	<u>7,040</u>

## Note 3- RETALED PARTY TRANSACTIONS

As of December 31,2000, the company has receivable and payables due to from related parties. These have been disclosed on the balance sheet as of December 31, 2000.

## Note 4- COMMON STOCK

The aggregate number of shares, which the corporation has the authorization to issue, as a one class of stock that is designated, as "Common Stocks" is 1,000,000 (One million) shares. The Common Stock shall have a par value of one cent (\$0.01) per share.

Enkido, Inc has filed a certificate of amendment with the State of Delaware to increase the authorized capital stock. The total number of shares, which is authorized, is one hundred one million shares (101,000,000) at a par value of one cent. In addition, to a one million shares of which shall be proffered stocks at a par value of one cent per share.

Note 5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH

	2000	1999
Cash on Hand	\$2,000	
Cash at Bank	3,361,070	98,379
Saving Account	50,085	49,801
Total	3,413,155	148,180

PROPERTY AND EQUIPMENT

Fixed assets are carried at cost. Depreciation and amortization are provided utilizing the accelerated cost recovery system. A summary is as follows:

	<u>LIFE</u>	<u>2000</u>	<u>1999</u>
Automobiles	5 years	\$172,441	85,439
Furniture and Fixtures	7 years	146,962	79,220
Computer	5 years	125,142	34,084
Household Improvement	3.5 Yrs	10,650	
Projects	7 years	477,926	25,876
		\$933,121	224,529
Less: Accumulated depreciation and Amortization		96,785	24,904
Net		836,336	199,625

**Added Value Assets**

Enkido has built two miles ring under Rockefeller Plaza, Manhattan, NYC connecting several buildings. This ring is made up of a 4" metal conduit. This asset is of a substantial value, and is not part of the total corporate assets.



	2000	1999
Advance Long-Term Customer	1,780,600	
Deferred Revenues	16,791,370	
Loan Payable, Stockholder	928,358	714,071

#### CONTRACTUAL AGREEMENTS

Enkido, Inc. is a party in several rental agreements with three major providers of fiber optic services, Time Warner, MCI and Telehouse International. Payment under each contract is subject to actual and specific project utilization.

The company has also paid Rental Security Deposits as follows:

Beg. Balance	\$8,775
Verizon	5,000
WorldCom	75,756
Viatel	73,737
Gosnell	12,000
Total	175,268

#### Note 6- INCOME TAX

The company is a C corporation for tax purpose. All payroll taxes are paid in full. The company has selected to accrue \$25,000 for Fed and States income tax.

# ENKIDO, INC.

## Statement of Cash Flow

### CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

Net Income	\$434,591
Adjustments to reconcile net cash provided by operating activities	
Depreciateion	73,994
Changes in operating activities:	
Account Receivable	-290,045
Accounts Payable	-23,408
Deferred revenue	3,736,200
Other Assets	-172,052

Net cash provided by operation	<u>3,759,280</u>
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### CASH FLOW FROM INVESRTMENTS

Purchase of equipment	-708,592
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### CASH FLOW FROM FINANCING

Proceeds from Stockholders	214,287
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NET INCREASE IN CASH	3,264,975
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Cash, January 1, 2000	148,180
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Cash, December 31, 2000	<u><u>3,413,155</u></u>
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### OTHER ASSETS

Long-term other assets includes:

	<u>2000</u>	<u>1999</u>
Contracts Receivable	16,791,370	
Organization Cost (Net)	7,040	9,151
Security Deposits	175,268	8,775
Advance Employees	700	
Total	16,974,378	17,926

### CONTRACTS INCOME

Enkido, Inc. has received several contracts for the year 2000 totaled \$22,945,920. These contracts represent short-term and long-term contractual obligations as follows

\$Total	Income Year 2000	Deferred	Short- Term Advance	Long Term Advance	Long Term A/R
22,945,920	2,418,350	16,791,370	1,955,600	1,780,600	16,791,370

### NEW BUSINESS

January 2001, Enkido signed a new contract, which was in progress late the year 2000. The new contract is valued at 40.5 Million dollars. Had such contract been signed in December 2000; the total contracts income would have been a total of 63 Million Dollars.

### LONG TERM DEBT

Long Term debt represents funds that were advanced by Mr. Nayel Shafei, Chairman and CEO to establish the business in the years 1999 & 2000. There is no written agreement or loan document; therefore there is no agreement of interest charge.

Advance client represents the long-term portion of customer advance funds against future service.